

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Saginaw Area Storm Water Authority	County Saginaw
Fiscal Year End December 31, 2006	Opinion Date May 3, 2007	Date Audit Report Submitted to State May 17, 2007	

We affirm that:

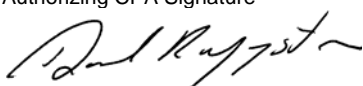
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- |     | YES                                 | NO                       | Check each applicable box below. (See instructions for further detail.)   |
|-----|-------------------------------------|--------------------------|---|
| 1.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.   |
| 2.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.   |
| 3.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.  |
| 4.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds.   |
| 5.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute.   |
| 6.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.   |
| 7.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.  |
| 8.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements.   |
| 9.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).  |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years.  |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED.   |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).  |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute.  |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely.  |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.		Telephone Number 989-793-9830	
Street Address 3023 Davenport	City Saginaw	State MI	Zip 48605
Authorizing CPA Signature 	Printed Name David Youngstrom		License Number A262757

**Saginaw Area Storm Water Authority**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**December 31, 2006 and 2005**

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## Independent Auditors' Report

To the Board of Trustees of  
Saginaw Area Storm Water Authority  
Saginaw, Michigan

We have audited the statement of net assets of the Saginaw Area Storm Water Authority as of December 31, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Saginaw Area Storm Water Authority as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principals generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Saginaw Area Storm Water Authority's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
May 3, 2007

**Saginaw Area Storm Water Authority**  
**Statement of Net Assets**  
**December 31, 2006 and 2005**

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	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 85,080	\$ 135,490
Grant receivable	<u>53,005</u>	<u>9,637</u>
Total assets	<u>138,085</u>	<u>145,127</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	<u>56,173</u>	<u>19,616</u>
Net assets	<u>\$ 81,912</u>	<u>\$ 125,511</u>

See Accompanying Notes of Financial Statements

**Saginaw Area Storm Water Authority**  
**Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**Years Ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Operating revenues</b>		
Birch Run Township	\$ 3,780	\$ 3,825
Bridgeport Charter Township	6,300	6,375
Bridgeport Spaulding Schools	3,780	3,825
Buena Vista Township	9,450	9,563
Carrollton Township	7,686	7,778
James Township	3,780	3,825
Kochville Township	5,166	5,227
Saginaw Charter Township	18,900	19,125
Saginaw County Public Works	3,780	3,825
Saginaw County Road Commission	18,900	19,125
Saginaw Intermediate School District	3,780	3,825
Saginaw Township Community Schools	3,780	3,825
Saginaw Valley State University	3,780	3,825
Saginaw, City of	3,780	3,825
Spaulding Township	3,780	3,825
Swan Valley School District	3,780	3,825
Thomas Township	11,844	11,985
Tittabawassee Township	6,174	6,247
Zilwaukee, City of	3,780	3,825
Grant revenue	<u>87,559</u>	<u>9,637</u>
 Total operating revenues	 213,559	 137,137
 <b>Operating expenses</b>	 <u>260,221</u>	 <u>177,394</u>
 Operating loss	 (46,662)	 (40,257)
 <b>Non operating revenue</b>		
Interest income	<u>3,063</u>	<u>4,451</u>
 Change in net assets	 (43,599)	 (35,806)
 Net assets, beginning of year	 <u>125,511</u>	 <u>161,317</u>
 <b>Net assets, end of year</b>	 <u>\$ 81,912</u>	 <u>\$ 125,511</u>

See Accompanying Notes of Financial Statements

**Saginaw Area Storm Water Authority**  
**Statement of Cash Flows**  
**Years Ended December 31, 2006 and 2005**

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	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities</b>		
Charges for services	\$ 126,000	\$ 127,500
Grant revenue	44,191	-
Payment to suppliers	<u>(223,664)</u>	<u>(166,485)</u>
Net cash used by operating activities	<u>(53,473)</u>	<u>(38,985)</u>
<b>Cash flows from investing activities</b>		
Interest earned	<u>3,063</u>	<u>4,451</u>
Net change in cash and cash equivalents	(50,410)	(34,534)
Cash and cash equivalents, beginning of year	<u>135,490</u>	<u>170,024</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 85,080</u></u>	<u><u>\$ 135,490</u></u>
<b>Reconciliation of net operating revenues provided by operating activities:</b>		
Operating loss	\$ (46,662)	\$ (40,257)
Increase in due from other governmental units	43,368	8,137
Increase in		
Accounts receivable	(43,368)	10,909
Accounts payable	36,557	(9,637)
Deferred revenue	<u>(43,368)</u>	<u>(8,137)</u>
Net cash used by operating activities	<u><u>\$ (53,473)</u></u>	<u><u>\$ (38,985)</u></u>

See Accompanying Notes of Financial Statements

**Saginaw Area Storm Water Authority**  
**Notes to Financial Statements**  
**December 31, 2006**

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**Note 1 - Description of The Entity**

The Saginaw Area Storm Water Authority was created by twelve municipal corporations within Saginaw County under Act 233, Public Acts of Michigan, 1955. The Authority was created in 2002 for the purpose of providing its members with assistance in maintaining compliance with the laws and regulations of the United States and the State of Michigan which pertain to the regulation of storm water discharges, in accordance with the Enabling Act and to perform any other functions permitted by the Enabling Act. The Authority is made up of 19 members as of December 31, 2006.

**Note 2 - Summary of Significant Accounting Policies**

The accounting policies of the Saginaw Area Storm Water Authority conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The following significant accounting policies were applied in the preparation of the accompanying financial statements:

**The Reporting Entity**

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The Saginaw Area Storm Water Authority is the primary government which has oversight responsibility and control over all activities. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Saginaw Area Storm Water Authority (the primary government) and does not include any other component unit within its financial statements.

**Basis of Presentation**

The financial activities of the Authority are recorded within one fund, categorized and described as follows:

*Proprietary Fund Type* - A proprietary fund type is used to account for ongoing organizations and activities that are similar to those found in the private sector.

The accrual basis of accounting is used in recording Internal Service Fund transactions.

**Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

**Due from Other Governmental Units**

Due from other governmental units have been recognized for all significant amounts due to the Authority. No allowance for uncollectible accounts has been provided as management does not believe collection to be doubtful.



**Saginaw Area Storm Water Authority**  
**Notes to Financial Statements**  
**December 31, 2006**

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**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of accounts receivable allowance for uncollectible accounts at the date of the financial statements and the reported amount of revenues during the reporting period. Actual results could differ from those estimates.

**Governmental Accounting Standards Board Statement – 20**

In accordance with GASB Statement 20, the Authority has elected not to apply the FASB statements issued after November 30, 1989 to its financial statements.

**Note 3 - Deposits and Investments**

The Authority had no investments other than cash.

*Interest rate risk* – The Authority does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

*Credit risk* – State statutes authorize the Authority to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Authority is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Authority has no investment policy that would further limit its investment choices.

*Concentration of credit risk* – The District has no policy that would limit the amount that may be invested with any one issuer.

*Custodial credit risk* – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it and that they are uninsured and uncollateralized. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2006, the Authority's entire bank balance was FDIC insured.

**Note 4 - Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all its insurance needs. Settled claims for commercial insurance have not materially exceeded the amount of insurance coverage in any of the past two fiscal years.

**Saginaw Area Storm Water Authority**  
**Other Supplemental Information**  
**Schedule of Operating Expenses**  
**Years Ended December 31, 2006 and 2005**

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	<u>2006</u>	<u>2005</u>
Accounting	\$ 7,400	\$ 7,650
Administrative	120,407	147,270
Bank charges	-	300
Legal	312	3,970
IDEP implementation	128,397	14,556
Insurance	<u>3,705</u>	<u>3,648</u>
 Total operating expenses	 <u>\$ 260,221</u>	 <u>\$ 177,394</u>